

**PUBLIC CHAPTER NO. 771****SENATE BILL NO. 3752****By Norris****Substituted for: House Bill No. 3375****By Todd, Phillip Johnson**

AN ACT to amend Tennessee Code Annotated, Title 47, Chapter 18, relative to health clubs.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 47-18-305, is amended by adding the following language as a new subsection (e):

(e)(1) Notwithstanding any provision of this part or any rules promulgated pursuant to the provisions of this part to the contrary, a health club may enter into or offer to enter into a health club agreement with, or accept payment or a promise of payment from, a prospective buyer prior to certification by the division of its facility as fully operational as set forth in subsection (b); provided, however, that the health club has:

(A) Acquired a property right or interest in this state with respect to the facility;

(B) Filed a registration application with the division as required by § 47-18-309; and

(C) Purchased from a surety company authorized to do business in this state a surety bond in favor of the division in the amount of twenty-five thousand dollars (\$25,000).

(2)(A) If the division determines, based on the financial statement required by § 47-18-309(a)(3), that the financial condition of the health club is insufficient to protect prospective buyers, then the division may require that the health club post a surety bond in an amount greater than twenty-five thousand dollars (\$25,000) but not to exceed two hundred thousand dollars (\$200,000). The health club shall file a copy of the bond with the division.

(B) A buyer who suffers loss of payments made to a health club prior to certification due to the health club's failure to open the facility may recover the amount of such payments from the surety, provided that the liability of the surety may not exceed the aggregate amount of the bond regardless of the number or amount of claims filed with the surety.

(C) Upon certification by the division that the health club is fully operational, the health club may cancel the surety bond upon thirty (30) days written notice of cancellation from the surety to the division.

SECTION 2. Tennessee Code Annotated, Section 47-18-309, is amended by changing the "and" to a semicolon at the end of subdivision (1), changing the period at the end of subdivision (2) to a semicolon and inserting the word "and" after the new semicolon at the end of that subdivision, and by adding the following language as a new subdivision (3):

(3) A current personal or corporate financial statement prepared by a certified public accountant.

SECTION 3. This act shall take effect upon becoming law, the public welfare requiring it.

**PASSED: April 3, 2008**



RON RAMSEY  
SPEAKER OF THE SENATE



JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 21st day of April 2008**



PHIL BREDESEN, GOVERNOR